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Service Commission

Exhibit No. 2

MAWC – Exhibit 2
Brian LaGrand Testimony
Rebuttal
Case No. WR-2025-0345

Exhibit No.:
Issues: WSIRA
Witness: Brian W. LaGrand
Exhibit Type: Rebuttal
Sponsoring Party: Missouri-American Water Company
Case No.: WR-2025-0345
Date: January 16, 2026

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2025-0345

REBUTTAL TESTIMONY

OF

BRIAN W. LAGRAND

ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

AFFIDAVIT

I, Brian W. LaGrand, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am the Director of Rates & Regulatory Support for American Water Works Service Company, that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.



Brian W. LaGrand

January 15, 2026
Dated

**REBUTTAL TESTIMONY
BRIAN W. LAGRAND
MISSOURI-AMERICAN WATER COMPANY
CASE NO.: WR-2025-0345**

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REBUTTAL TESTIMONY

BRIAN W. LAGRAND

I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Brian LaGrand, and my business address is 727 Craig Road, St. Louis, MO,
4 63141.

5 Q. Are you the same Brian W. LaGrand who previously submitted Direct Testimony in
6 this proceeding on behalf of Missouri-American Water Company (“Company” or
7 “MAWC”)?

8 A. Yes.

9 Q. What is the purpose of your Rebuttal Testimony in this proceeding?

10 A. The purpose of my Rebuttal Testimony is to respond to Staff witness Keri Roth and Office
11 of the Public Counsel (“OPC”) witness John Riley.

II. STAFF POSITION

13 Q. Can you summarize the testimony of PSC Staff witness Keri Roth?

14 A. Yes. Ms. Roth essentially described the contents of, and provided, the Staff
15 Recommendation in this case. In the end, Staff is recommending total WSIRA revenues
16 of \$15,567,151¹.

17 Q. Does the Company agree with Staff's recommended revenue requirement?

18 A. Yes. As noted in my Direct Testimony, the Company is in agreement with Staff on the

¹ Roth DT, p. 4.

1 appropriate revenue requirement in this WSIRA case².

2 **Q. Did Staff's direct testimony address OPC's Response to Staff Recommendation?**

3 A. No.. Staff indicated that it will respond to OPC in their Rebuttal Testimony.

4 **III. OPC POSITION**

5 **Q. Can you summarize the Direct Testimony of OPC witness John Riley?**

6 A. Yes. Mr. Riley does not believe that a tax gross up should be applied to the income taxes
7 in this WSIRA case. He recommends that the revenue requirement recommended by Staff
8 be reduced by \$430,535.

9 **Q. Why does Mr. Riley not believe that a tax gross up should be applied to income tax
10 expense in this case?**

11 A. He claims that the Company is not actually paying income taxes and therefore no gross up
12 is required since the Company does not need the revenue to make a tax payment.

13 **Q. Do you agree with Mr. Riley's assertion?**

14 A. No. Mr. Riley is incorrect on a number of levels. Company witness Linda Schlessman
15 will address most of Mr. Riley's claims in her Rebuttal Testimony, but I will address one
16 of the fundamental flaws in Mr. Riley's logic.

17 **Q. What is this fundamental flaw?**

18 A. In his Direct Testimony, Mr. Riley claims that the Company does not currently and will
19 not for the foreseeable future owe income taxes.

20 **Q. On what basis does Mr. Riley make this conclusion?**

² LaGrand DT, pp. 3-4.

1 A. Mr. Riley points to Staff Accounting Schedules for the test year ending 12/31/2023 from
2 the Company's most recent rate case, WR-2024-0320 as well as a page from the
3 Company's 2023 annual report filed with the Commission.

4 **Q. Mr. Riley is using information from 2023 to conclude that the Company will not pay**
5 **income taxes in 2026?**

6 A. It would appear so.

9 A. No. Please see the Rebuttal Testimony of Company witness Linda Schlessman for a
10 discussion of the Company's status for 2026.

11 Q. What other issues do you have with Mr. Riley's approach?

12 A. Mr. Riley continues to focus exclusively on the current income tax expense and completely
13 ignores deferred income tax expense. By doing so, he provides an incomplete picture of
14 the income tax expense incurred by the Company. To calculate total income tax expense,
15 one must include both current income tax and the deferred income tax, as well as any
16 amortization of excess accumulated deferred income taxes.

17 In Schedule JSR-D-04, Page 1, Mr. Riley shows Accounting Schedule 1 from Staff's
18 workpapers in the Company's last rate case. He points to the required current income tax
19 of -\$13,142,418 as evidence the Company does not pay income tax. As noted in my Direct
20 Testimony³, Mr. Riley ignores \$49,184,183 of deferred income taxes that are included in

³ LaGrand DT, p. 8.

1 the \$27,079,969 of income tax expense that Staff includes in their revenue requirement.

2 In Schedule JSR-D-04, Page 4, Mr. Riley includes a page from the Company's 2023
3 Annual Report filed with the PSC. That page shows current income tax of -\$20,014,087,
4 but it also shows \$32,261,168 of deferred income tax and total income tax expense of
5 \$11,857,044. These amounts are ignored by Mr. Riley.

6 If Mr. Riley insists on excluding deferred tax expense from his analysis, then to be
7 consistent, he should also exclude the accumulated deferred tax liability that is currently
8 treated as a reduction to rate base. This would increase the revenue requirement by
9 \$1,567,511.⁴ Mr. Riley, however, chooses to exclude deferred income taxes only when it
10 suits him.

11 **Q. Are you recommending that the accumulated deferred income taxes should no longer
12 reduce rate base?**

13 A. No, I am not. Reducing the rate base, and therefore the revenue requirement, by the
14 accumulated deferred income taxes is the proper ratemaking treatment.

15 **IV. CONCLUSION**

16 **Q. What is your recommendation for the Commission?**

17 A. I recommend the Commission reject OPC's recommended adjustment and adopt the
18 WSIRA revenue requirement of \$15,567,151 recommended by Staff and supported by the
19 Company.

20 **Q. Does this conclude your Rebuttal Testimony?**

⁴ LaGrand DT, Schedule BWL-2 – Deferred Taxes of \$18,506,626 (line 14) x Pre-Tax Rate of Return of 8.47% (line 33) = \$1,567,511.

1 A. Yes.